INSIDE ISSUES . . . .

Issues for RHODE ISLAND MANAGEMENT

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THE PUSH TO EARLY RETIREMENT — Will the trend continue or be reversed?

The federal government's General Accounting Office (GAO) recently published a report entitled, *Retirement Before Age 65 Is a Growing Trend in the Private Sector.* The report concurred with an earlier Labor Department study, which found that most workers in the private sector are no longer waiting until age 65 to retire. In fact, 60 percent retire before 65, and the median retirement age is 62.

While the trend to early retirement is no doubt tied to a host of reasons, not the least of which are expanded and more generous pension plans that permit such early retirement, some measure of responsibility must be borne by the recent practice of employers in offering employees incentives to encourage them to depart at a younger-than-anticipated age.

The drive for "leanness and meanness" in U.S. companies to improve their competitiveness in the world market, has spurred a number of them to tender early retirement offers. A survey conducted in late 1985 found that:

- Of 529 respondents, 169 or 32 percent offered some sort of voluntary separation plan — about 14 percent of them during 1985, and 90 percent of them between 1981 and 1985.
- One hundred twenty-one of the 169 plans (74 percent) were early retirement windows, distinguishable from other forms of separation plans in that eligibility was restricted to older employees.

Not surprisingly, the percentage of respondents offering early retirement incentives is greatest among the larger employers. Fifty percent of those with over 50,000 employees did so, while only 13 percent of those respondents with 500 or fewer employees offered incentives.

The types of incentives generally include:

- A monthly pension supplement, especially where early commencement of retirement benefits means lower Social Security benefits, or improvement in pension benefits, most common in early retirement windows;
- A liberalization of the rules on eligibility for receiving pension payments;
- A bridging payment, designed to supplement income until Social Security payments commence;
- One-time cash payments, usually linked to length of service;

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- Added age and service credit for faster vesting; and
- Continuation of medical coverage after separation.

In the public sector, many state and municipal governments have offered early retirement windows to their employees at some time since 1980. Rhode Island state employees were offered an early retirement window in 1983 that consisted of a cash bonus. In 1986, successful state employee union contract negotiations resulted in providing another early retirement window that offers paid medical coverage.

While it is always dangerous to attempt to compare the motives of the private versus the public employer in any kind of action, it is safe to say that both private and public employers offer early retirement opportunities for essentially the same reasons: a reduction in the size of the workforce, that translate into a reduction in operating costs.

> . . . part-time post-retirement employment is . . . a symbiotic arrangement that benefits both employer and retiree.

Although there may be some merit to the assertions of some disgruntled employees who have characterized early retirement windows as "a purgative designed to get rid of the old fogies," there is no evidence that this practice is widespread.

The public sector too has been accused of using the early retirement window for self-serving purposes — namely, to "clean house" whenever there is a change in administration, especially a change in the party in power. Those who know politics insist however, that using this means to open-up patronage slots is not in the best interest of a new administration. They point to the fact that top officials of a new administration need and rely heavily on the "middle managers" for continuity, and that this is the very category of employees that would be most affected by any early retirement window.

Not all experts agree that the early retirement trend will continue to grow. There are some who point to recent changes in the Social Security laws that will have younger employees, and those now entering the workforce, retiring at an older age beginning in the year 2000, as an indicator of things to come. Others disagree. They insist that changes in the age at which employees receive maximum Social Security benefits beginning in the year 2000 has little or nothing to do with pension plans. They agree that the span between early retirement and eligibility for maximum Social Security benefits will widen during the remainder of this century and beyond. However, they foresee increased monthly pension supplements, bridging pay-

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DISCRETIONARY EFFORT IN THE WORKPLACE — PART IV

Synopsis of Part III (ISSUES, July 1986). In Part III, the causes of the nation's declining economic vitality were examined; the role of discretionary effort in that decline was studied; and the need for America to use its human resources to the utmost to meet competition of the work market, and to close the commitment gap, was discussed.

There is widespread "conventional wisdom" that attributes the commitment gap to a failure in the American work ethic.

In explaining our own economic difficulties and the success of our competitors, both leaders and the public are quick to point to a supposed failure in the American work ethic as a central cause. (In this series, the term "work ethic" is used in a pure secular sense to mean a desire to work hard and effectively for the sake of the work itself.) More than seven out of ten people (73%) believe that Americans' motivation to work hard has deteriorated in the last ten years, and nearly eight out of ten (78%) feel that Americans take less pride in their work than they did ten years ago. A survey of business and government leaders conducted for Motorola, found virtual unanimity (87%) in the belief that a failure in the American work ethic is a key factor in our diminished ability to compete effectively with Japan.

Many leaders attribute this failure to the emergence of a new set of cultural values that stress hedonism, leisure, narcissism, and self-satisfaction, and are antithecal to the values of hard work and commitment to the job — an analysis that has bred an uncharacteristic sense of defeatism among American leadership. They know that if the cause of our declining economic vitality is a moribund work ethic, neither management nor government can do much about it.

The conventional wisdom of a deteriorating work ethic is badly off target: the American work ethic is strong and healthy, and may even be growing stronger.

Research done both by the Public Agenda and by others shows that this perception of a deteriorating work ethic is both inaccurate and misleading. Although work behaviors are indeed deteriorating, there is still a broadly shared endorsement of the work ethic in all sectors of the American work force. A majority of the work force describe themselves as having an inner need to do the very best job that they can, regardless of pay; fewer than a third of the work force (27%) reject the work ethic in favor of other motivations (e.g. work as a pure financial transaction). Nearly two-thirds (62%) say that they would prefer "a boss who is demanding in the name of high quality work."

Perhaps more important is the fact that, although the work ethic is strong among all sectors of the work force, it is particularly prevalent among better educated jobholders in high discretion jobs. Nearly two-thirds of college educated jobholders (63%) have a strong work ethic, as compared to just under half (47%) of the jobholders with a high school diploma or less. Since the amount of discretion on the job and the level of education seems to be rising, the currency of the work ethic may well be increasing.

One of the most striking findings of research concerns the effect of new cultural values. Many younger jobholders bring a new set of self-development and "expressive" values to their work. In the 1960s and 1970s these values were not always translated into commitment in the workplace. Many of our best educated young people sought to fulfill their values — a desire for autonomy, inner growth, and a correctedness with nature — outside of the workplace through the pursuit of leisure. But this study shows that now that affluence can no longer be taken for granted, younger, better-educated jobholders are discovering that the new values are in no way inconsistent with hard and effective work. The findings of this study show that expressive values actually reinforce and enhance the work ethic when people who focus on personal growth hold jobs that can serve as an outlet for self-expression and self-development. More than seven out of ten (72%) of the jobholders who endorse the new cultural values also subscribe to a strong work ethic. They feel an inner need to do the best job possible regardless of pay.

In the next ISSUES, the conclusion of the series, with a surprise ending. What is the *real* cause of the commitment gap?

This series is based on a report "Putting the Work Ethic to Work — a Public Agenda Report on Restoring America's Competitive Vitality," by Daniel Yankelovich and John Immerwahr, The Public Agenda Foundation, Washington, D.C.

The Push To Early Retirement
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ments, or other forms of compensation, supplementing pension income until Social Security benefit payments commence, as a means of dealing with the widening gulf.

There are other possibilities. Instead of offering inducements to leave, employers may soon find themselves short of skilled, experienced workers, and may have to resort to offering senior people equally costly incentives to *postpone* retirement, or offer part-time post-retirement employment opportunities.

Such a symbiotic arrangement benefits both employer and employee. For employers, such a plan provides an opportunity to retain experienced workers at a fraction of the cost of retaining them as full-time employees.

For employees, part-time post-retirement employment allows workers to remain active and involved, while providing added income.

Most part-time post-retirement employment plans set limits on the amount of wages that may be earned before pension payments are reduced. But these limits are generous, and becoming increasingly so.

All indicators continue to point towards early retirement with the option of part-time post-retirement employment as a beneficial arrangement to both employer and employee for at least the remaining years of this century.

IF YOU LIKE THEIR WORK, TELL THEM SO!

What do people want most from their jobs? If you guessed high wages, you guessed wrong! What workers want most is appreciation for a job well done. That's what the studies have shown, and yet — when supervisors are asked what *they* think employees want most, they rank high wages *first*, and appreciation for a job well-done *last*.

Because of these different perceptions, the #1 complaint from employees in many organizations is that bosses don't hesitate to criticize work errors but rarely commend good performance. The usual response to good work is no response at all. Most positive performance is simply ignored by management. If you doubt this, ask yourself two questions: How many tasks did my people complete for me today? How many times did I praise their work?

Managers continue to recognize only negative performance and wonder why they can't get good work from their employees. Workers heatedly express their resentment at such treatment. They get angry at being robbed of the satisfaction of one of their most basic needs — the need for recognition.

Providing positive recognition can make all the difference in the kind of relationships you enjoy with your people. Praise for a job well done, a note of appreciation for one's efforts or a pat on the back from the boss, all send a clear message to the employee that the supervisor views him or her as an OK person. This message creates the kind of self-confidence and acceptance in employees that permits them to do their best work. It is a simple, yet effective, way to respond to the needs of *your* people and the goals of your organization. Make a decision (that's all it really takes) to start using positive recognition today. You may be surprised at the results!

AFFIRMATIVELY SPEAKING . . .

Disciplinary Actions and Equal Treatment of Subordinates

The majority of anti-discrimination laws — *The Civil Rights Act, The Rehabilitation Act,* and *The Age Discrimination Act* — protect individuals in a variety of employment situations and practices by focusing primarily on *equal treatment* of applicants and or employees.

Included within the language and scope of these laws, are the right(s) of employees to fair and equitable "terms and conditions" of employment as individuals and vis-a-vis their co-workers. Therefore it follows that any disciplinary action imposed on employees by management, must be applied in a fair and equitable manner.

Disciplinary measures need only be *perceived* as unequitable or biased to provoke a discrimination charge or precipitate legal action; and because of the time consumed by bias investigations, and the bitter feelings that are aroused by the complainant, co-workers and others indirectly involved, a manager should thoroughly and objectively think the matter through before taking any kind of disciplinary action.

This is not to imply that such actions are discouraged. They are, unfortunately, a necessary means of maintaining discipline, and keeping organizations functioning in an orderly manner. Supervisors however, should take necessary precautions to protect themselves against the possibility of non-compliance with employment/discriminatory law requirements.

To protect themselves against these eventualities, supervisors should keep the following points in mind.

Take your own pulse.

Is the individual that you are disciplining bothering you because of some of your own personal biases, or is the problem strictly a professional one? Make sure you can separate the two, and assist your subordinate supervisors to do the same. Some personal biases can, unintentionally, be transferred to the workplace.

Have other employees been recently disciplined for similar infractions?

Is each employee treated in the same manner without regard to color, national origin, sex, age, religion, or handicap? If you can demonstrate that you and your subordinate supervisors treat *everyone* equally, whether well or badly, there is a defense to any discrimination charge.

Have those who have committed similar infractions received the same degree of disciplinary action?

The *degree* of the disciplinary action taken is important. If one employee is terminated for an infraction, when two other employees who committed similar infractions received only a two-week suspension without pay, there is obviously a discrepancy in the severity of the disciplinary action. Check to see what other supervisors have done in similar cases, not only in your organizational *unit*, but in your *department*. In discrimination cases, investigations are conducted on a *department* level, and your *unit* or *division* will not be considered as a separate entity.

Was the employee's past performance considered in the degree of the disciplinary action?

In most instances, it is advisable to weigh an employee's prior infractions, or lack of them, before determining the kind or degree of disciplinary action taken.

Documentation is all important.

The importance of proper documentation cannot be overemphasized. Although it can be very time-consuming, a dossier containing detailed and accurate accounts of the infraction and of the investigation, together with copies of all supporting documents, is the best means of providing support for a supervisor's action.

THE BOOKMARK

A PASSION FOR EXCELLENCE. By Tom Peters and Nancy Austin, 437 pp. Random House, New York

This sequel to the best-selling business book in history — *In Search of Excellence* — concentrates on the details that the authors believe to be the sources of long-term success.

The common threads running through each of the companies described by Peters and Austin are *reliance on common sense, concern for customers, encouragement of innovation, confidence in employees, and strong leadership.*

"The power of ownership of the job has become overwhelmingly clear," according to Peters and Austin. So, too, they say, has the gap between those who think individuals left on their own will do their best and those who think the opposite. Those who understand what makes for excellence, whether individual or organizational, those *who believe in their people*, and those who *respect the rights of employees are the managers who will succeed*, they argue. "If your convictions about people aren't all that clear and strong, then it's tough to be confident and consistent."

To measure the degree of ownership that individuals feel about their jobs, *A Passion For Excellence* recommends that employers examine the availability of information. "For starters," they ask, "does everybody at least receive and understand the *annual report*?" Does everyone in the agency understand what lower level employees do? Does everyone look for little marks of respect and disrespect in the organization?

The authors counsel that "*small groups produce higher quality, more personalized service, and faster innovation* than larger entities." The bottom line, they say, is that "ownership is inevitably lost in big groups."

Many managers perceive unions and first-line supervisors as the obstacles to the people-ownership goal. But unions inevitably carry with them the "prior baggage" of their relationship with management, say Peters and Austin, who assert that "most managers who view unions as the problem don't view people as the solution, to start with."

The authors' *long-term solution to resistance by first-line supervisors* is, as they call it, "radical." Team leaders selected by the work group itself are a workable, long-term solution to this resistance, Peters and Austin assert. In the short term, however, *their answer to supervisor resistance* is threefold: *training, careful use of promotion opportunities, and separation.* But even here the authors emphasize fairness: Employers must make sure that individuals are not faulted for following the actual practices of senior managers who themselves "inadvertently fail in a thousand tiny acts" to follow the new way.

Peters and Austin warn that following their guidelines won't make life easier, nor will it make problems disappear rapidly. Undoing years of tradition is a struggle. "Progress," they observe, "can come almost overnight. Victory, however, is elusive."

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COMMUNICATIONS: An Essential Tool of Management

Part III of a series for public service managers on effectively communicating with employees.

Synopsis of Part II (ISSUES, July 1986). In Part II, communicating in three dimensions — upward, downward and laterally or horizontally — was explained; and the separate roles of top officials, staff personnel and the communicator were examined.

How to choose your communicator —

Whether hired from outside or selected from within, your agency's communicator should be someone who:

- Knows your operations and type of employees.
- Has a thorough command of language.
- Is outgoing and imaginative, and can "sell" ideas.
- Is familiar with the applications and mechanics of a wide variety of communications tools.

What the communicator does —

The communicator carries out management's directives for supplying information to, and gathering information from, employees. In most cases, this involves such functions as:

- Consulting management on communication needs, goals, and methods.
- Planning and coordinating specific communications campaigns.
- Directing activities of communications staff personnel.
- Ensuring that information publicized conforms to agency policies.
- Reporting to management on the results of communications efforts.

Remember. Your communicator can't do everything. He can only publicize information. Gaining employees' cooperation and support is the supervisors' job.

Role of managers and supervisors —

Lower-level managers and supervisors are the hands, eyes and ears of the communications system. As "hands," they are the people who must:

- Implement management's instructions and directives in day-to-day work.
- Shape and motivate employees' responses to the messages that they receive. As "eyes and ears," managers and supervisors must:
- Perceive employees' efforts to communicate upward.
- Translate and transmit these upward messages to the official "brain."

Malfunctioning in either of these roles can spell disaster for your communications program. The supervisor who tells his employees "not to bother about" new rules, for instance, or that a new benefit is "only another gimmick," can quickly undermine the effectiveness of *all other management communications efforts on the subject.* Likewise, the supervisor who explodes whenever employees complain or offer suggestions will nip upward communications in the bud — *no matter what management does to encourage them.*

How can top officers prevent information blocks at the supervisory level? Here are three useful suggestions:

- ***Set a good example.*** Supervisory attitudes usually reflect the attitudes of superiors. The division head who ridicules a management directive in front of his lower-line supervisors, for example, cannot expect them to sell the idea with any conviction to their employees. Unwillingness to listen to *supervisors'* ideas and complaints, or failure to pass them on, will also be reflected in supervisors' relationships with employees.
- Human relations and communications skills seldom come naturally — they must usually be learned. Give supervisors formal training in both upward and downward communications responsibilities.
- ***Hold them responsible.*** When employees make errors resulting from inadequate information, or when upward communications from a particular group are skimpy, *find out why.* Go straight to the supervisors, and ask. Take prompt steps to help the supervisor improve his communications performance.

Next time in ISSUES, Part IV of Communications — a look at the role of the employee and the unions, and a study of the reasons why communications efforts sometimes fail.